

SERFF Tracking Number: LFST-128274785 State: District of Columbia

Filing Company: Life of the South Insurance Company State Tracking Number:

Company Tracking Number: DC-LS-AD&D CLUB MEMBER NEW PROGRAM RATES:CHARGE TO 400000.1

TOI: H03G Group Health - Accidental Death & Sub-TOI: H03G.000 Health - Accidental Death & Dismemberment

Product Name: DC-LS-AD&D Club Member New Program Rates

Project Name/Number: DC-LS-AD&D Club Member New Program Rates/DC-LS-AD&D Club Member New Program Rates

Rate/Rule Schedule

| Schedule Item Status: | Document Name: | Affected Form Numbers: (Separated with commas) | Rate Action: Action:* | Rate Action Information: | Attachments |
|-----------------------|----------------|---|--------------------------|--------------------------|--------------------------------|
| | Rate Page | LS-4400-OK-ADD-CM, LS-4401-OK-ADD-CM | New | | LS-4400-OK-ADD-CM-RP 02.12.pdf |

LIFE OF THE SOUTH INSURANCE COMPANY

Administrative Office: [10151 Deerwood Park Boulevard, Building 100, Suite 500, Jacksonville, Florida 32256]

ACCIDENTAL DEATH & DISMEMBERMENT CLUB MEMBER PROGRAM

RATE PAGE

\$0.70 per \$10,000 per Month

or

\$0.35 per \$5,000 per Month

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Supporting Document Schedules

| | Item Status: | Status Date: |
|---------------------------------|-------------------------|-----------------|
| Satisfied - Item: | Actuarial Justification | |
| Comments: | | |
| Attachment: | | |
| LOTS ADD OK Rate Memorandum.pdf | | |

Life of the South Insurance Company

Accidental Death and Dismemberment Insurance Policy Actuarial Memorandum

For the State of Oklahoma

For Use with LS-4400-OK-ADD-CM

Policy Benefits

This policy provides a benefit for accidental occurrences resulting in death or dismemberment of the insured. The principal sum is payable upon accidental loss of life.

A dismemberment benefit is provided. The principal sum is payable upon loss of both hands, loss of both feet, loss of sight of both eyes, loss of one hand and one foot, loss of one hand and one eye, and loss of one foot and one eye. One-half of the principal sum is payable upon loss of one hand, loss of one foot, or loss of sight of one eye

Permissible Loss Ratio

The derivation of the monthly premium rate is based on a principal sum of \$10,000 of insurance (one unit). A basic loss ratio of 55% is used as the basis of pricing.

The permissible loss ratio is developed from the following expense assumptions:

| | |
|---|------|
| Premium income | 100% |
| Value of investment income | 1% |
| Commissions and other acquisition costs | 30% |
| Policy administration costs | 11% |
| Profit and risk margin | 5% |
| Permissible loss ratio | 55% |

Value of Investment Income

The value of investment income as a percentage of premiums on this product is 1% or less. Assuming a level distribution of losses over the year and 36% of up-front costs for commissions, other acquisition costs, and issue costs, the insurer has about 65% of the funds for approximately one-half year. Since the term of the liabilities are so short, the funds must be invested in money market funds or short-term certificates of deposit. A reasonable after-tax investment income rate is 3%. Given the small value, this simplified analysis is appropriate. The value of investment income on the product cash flows is about 1% of premium, i.e. for a \$100.00 gross premium,

$$\{(\$100.00 - \$36.00) \times (0.03 / 2)\} / \$100.00$$

This memorandum is based on the laws and regulations in effect on January 9, 2007
and does not reflect any laws or regulations adopted subsequent to this date.

= 0.96% of premium

Accidental Death Benefit Loss Cost

From the 2000 *Injury Facts* published by the National Safety Council, the accidental deaths by age groups were weighted by the expected age distribution. The expected annual loss cost is 33.2 per 1,000. This is the national average. Accidental death rates in Oklahoma are 135% of the national average, as shown in the 2000 *Injury Facts*. Combining these factors produces an expected monthly loss cost of:

$$\$0.332 \times (\$10,000 / \$1,000) / 12 \times 1.35 = \$0.37$$

Accidental Dismemberment Benefit Loss Cost

Published data on rates for causes of dismemberment are not publicly available. Dismemberment provisions are often found in credit life insurance policies. Oklahoma specifically allows an additional charge if dismemberment benefits are provided. The additional premium charge permitted as a percentage of the state's prima facie rate is 7.4%. Applying this percentage to the basic monthly loss cost for the accidental death benefit produces a monthly loss cost of:

$$\$0.074 \times \$0.37 = \$0.03$$

Final Monthly Cost Factors Per \$10,000 Policy

| | Loss Cost | Gross Premium |
|--------------------------|--------------|------------------|
| Accidental Death | \$0.37 | \$0.67 |
| Accidental Dismemberment | \$0.03 | \$0.05 |
| Total All Benefits | \$0.40 | \$0.72 |

Proposed Rate

The proposed rate is \$0.70 per \$10,000 per month.

Prepared by,

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